

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF)
DELMARVA POWER & LIGHT COMPANY)
TO REVISE THE RATE FOR THE UTILITY)
FACILITY RELOCATION CHARGE TO) PSC DOCKET NO. 16-0671
RECOVER COSTS INCURRED IN)
CONNECTION WITH THE RELOCATION OF)
ELECTRIC UTILITY FACILITIES)
(FILED MAY 26, 2016))

ORDER NO. 9261

AND NOW, this 21st day of August, 2018, the Delaware Public Service Commission ("Commission") determines and orders the following:

WHEREAS, under the provisions of 26 Del. C. §315, electric and natural gas utilities may calculate and collect a "Utility Facility Relocation Charge" ("UFRC Rate"), which allows the utility to promptly begin to recover depreciation expenses and a return on capital invested in "eligible utility facility relocations" put into service between rate cases; and

WHEREAS, under the statutory scheme, a particular electric utility's UFRC Rate, once initiated, may thereafter be adjusted on a semi-annual basis to reflect eligible improvements put into service within the preceding six months. See 26 *Del. C.* §§315(c) and 314(b) (1) et seq.;¹ and

¹The Commission has explained the DSIC Rate mechanism, the basis for the UFRC Rate mechanism, in detail in PSC Order No. 5850 (December 11, 2001).

WHEREAS, on May 26, 2016 Delmarva filed an application in PSC Docket No. 16-0671 to set its UFRC Rate of 0.41% effective on July 1, 2016; and

WHEREAS, on July 12, 2016, the Commission adopted Order No. 8911, which opened Docket No. 16-0671 and partially approved Delmarva's application for a UFRC Rate increase while allowing inclusion of all eligible utility facility relocations incurred from November 1, 2015 through April 30, 2016. Due to Delmarva's filing of an electric base rate case, in Order 8900 the Commission allowed a 0.41% UFRC Rate to be recovered during the period July 1, 2016 through July 15, 2016, at which time new interim electric base rates were to go into effect. Order 8911 also required Delmarva to reset its UFRC Rate to 0.05% after July 16, 2016. The combination of these two UFRC Rates during the period July 1, 2016 through December 31, 2016 led to a requested revenue requirement of \$77,433.81 subject to annual review, audit, and reconciliation by the Commission Staff ("Staff"); and

WHEREAS, on May 31, 2017, Staff began conducting an audit of Delmarva's calculations contained in Docket Nos. 15-1603² and 16-0671; and

WHEREAS, during the DPA's consultant's review of income tax changes, in January 2018, it was discovered there was a mathematical error³ in the way the UFRC surcharges were calculated. Delmarva was

² Docket No. 15-1603 was closed in Order No. 9138 dated November 9, 2017.

³ The statute requires only the equity portion of capital investments to be grossed up to a pretax basis in order to reflect the income tax expenses associated with the allowable return. The practice had been to gross up both the debt and equity portion of the capital investments.

then made aware of this error and since this docket was still open Delmarva recalculated the UFRC revenue requirements, which resulted in an additional over-collection of \$6,277.57; and

WHEREAS, in July 2018, Delmarva sent Staff the revised revenue requirement of \$71,156.24. Staff found that (i) Delmarva's rate of return did not exceed its last authorized rate of return; (ii) Delmarva collected \$112,179.71 in UFRC revenues during the respective rate recovery period of July 1, 2016 - December 31, 2016, which was \$41,023.47 above the UFRC revenue requirement; (iii) the plant portion of Delmarva's UFRC Rate calculation met the statutory requirements of eligible utility facility relocations; and (iv) plant additions were included in Delmarva's UFRC Rate based on queries run in Delmarva's SAP billing data system; and

WHEREAS, Staff found that the UFRC Rate collected during the period July 1, 2016 through December 31, 2016 resulted in a total over-collection of \$41,023.47; and

WHEREAS, in the calculation of UFRC Rate collected during a subsequent period of July 1, 2017 through December 31, 2017, in Docket No. 17-0401, Delmarva included \$34,745.90⁴ over-collection as a refund; and

WHEREAS, as a result of the refund in the calculation in Docket No. 17-0401, customers were timely recovering most of the over-collected revenues; and

⁴ This was the amount known at that time since the mathematical error of an additional \$6,277.57 had not yet been discovered.

WHEREAS, there is a small over-collection of \$6,277.57 still be refunded due to the mathematical error in the gross up of the pre-tax basis; and

WHEREAS, since this amount is *de minimis* for a rate refund, Staff recommends this be taken out of the revenue requirements for the calendar year 2017 annual audit and reconciliation; and

WHEREAS, based on Staff's audit of the eligible utility facility relocations claimed by Delmarva in Docket No.16-0671, the revenues collected by Delmarva under this UFRC Rate, the subsequent refund in the UFRC Rate calculation in Docket No. 17-0401, and the planned refund of \$6,277.57 in the annual audit for the calendar year 2017 which is in progress, Staff recommends that Delmarva's UFRC Rate of 0.39%, as calculated for the period July 1, 2016 through July 15, 2016, with a revenue requirement of \$32,866.20, and the UFRC Rate of 0.04%, as calculated for the period July 16, 2016 through December 31, 2016, with a revenue requirement of \$38,270.04, resulting in a revised total revenue requirement of \$71,156.24 and collected during the period July 1, 2016 through December 31, 2016 be approved as final; and

WHEREAS, Staff recommends that the Commission formally close PSC Docket No.16-0671; and

WHEREAS, Staff further reports that it has shared its findings with the Delaware Division of the Public Advocate and Delmarva, and there do not appear to be any objections to the closing of these dockets;

**NOW THEREFORE, IT IS ORDERED BY THE AFFIRMATIVE
VOTE OF NOT FEWER THAN THREE COMMISSIONERS:**

1. Under the provisions of 26 Del. C. §§315(c) and 314(b)(1) et seq., the Commission hereby approves Delmarva's UFRC Rate of .39%, as collected during the period July 1, 2016 through July 15, 2016, the UFRC Rate of 0.50%, as collected during the period July 16, 2016 through December 31, 2016, resulting in a total revenue requirement of \$71,156.24 as final.

2. Staff will continue to ensure the proper rebate of the \$6,277.57 found to be over-recovered during calendar year 2016 by Delmarva in the annual audit and reconciliation for calendar year 2017.

3. Nothing in this Order shall preclude the examination and challenge of Delmarva's claims in any base rate proceeding.

4. The annual audit of the filing made in PSC Docket No.16-0671 is concluded, and this docket is hereby closed.

5. The Commission reserves the jurisdiction and authority to enter such further orders in these dockets as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

Chairman

Commissioner

Commissioner

Commissioner

Commissioner

ATTEST:

Secretary